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Report Highlights: The EU poultry sector could experience significant changes in the coming years as farmers' react to the Midterm Review, the Russian TRQ, this summer's heat wave and the imminent accession of 10 new member states. EU chicken production is returning to normal following outbreaks of avian influenza while turkey production remains stable.

Includes PSD Changes: No
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INTRODUCTION

This report reflects the activities and issues for EU-15 countries. Actively contributing to this report:

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EXECUTIVE SUMMARY

The overall EU poultry market is stable, yet returning to normal as the Dutch, Belgian and German markets recover from the avian influenza outbreaks. Export refunds were introduced for turkey poults to all destinations except the USA and Estonia. There was not change to export refunds for poultry meat.

Despite recovery in EU markets from avian influenza, the EU poultry sector could experience significant changes in the coming years from various market forces. First, farmers' react to the Midterm Review as they make projections and plan for the 2004-2005-market year. Second, EU farmers will have to find ways to compensate for the January 2003 announcement by Russia of its tariff rate quota, which is expected to limit imports of beef, pork and poultry. Third, this summer's heat wave. The EU does not currently have statistics on the effects the drought has had on the poultry sector. And finally the imminent accession of 10 new member states in 2004, which means that previous extra-EU trade figures will become intra-EU trade figures.

CHICKEN

Country	European Union					
Commodity	Poultry Meat, Chicken-16 wks			(1000 MT) (MIL HEAD)		
	Revised	2002	Preliminary	2003		
	Old	New	Old	New	Old	New
	Report	Report	Report	Report	Report	Report
Market Year Begin	01/2002		01/2003		01/2004	
Inventory (Reference)	0	0	0	0	0	0
Slaughter (Reference)	0	565	0	560	0	570
Beginning Stocks	0	0	0	0	0	0
Production	6850	5950	6720	5700	0	5800
Whole, Imports	0	0	0	0	0	0
Parts, Imports	410	410	390	380	0	350
Total extra-EU imports	410	410	390	380	0	350
TOTAL SUPPLY	7260	6360	7110	6080	0	6150
Whole, Exports	0	0	0	0	0	0
Parts, Exports	850	850	720	700	0	800
Total extra-EU exports	850	850	720	700	0	800
TOTAL Domestic Use	6410	5510	6390	5380	0	5350
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	7260	6360	7110	6080	0	6150

Source: EU-15 FAS offices

Note: EU poultry production figures here represent figures from the 6 of the EU-15 poultry reporting posts which represents 80% of the EU-15 poultry market.

EU chicken production in 2002 & 2003 is expected to return to normal levels by 2004, as poultry production in the Netherlands returns to normal levels following the Avian Influenza outbreak. Increases in EU chicken production are also expected in Spain, Portugal and Germany, which is should offset the predicted decrease in poultry production in France.

EU chicken import figures remain unchanged from previous 2002 estimates, however 2003 estimates indicate a decline in EU imports. In August of this year the EU will close a loophole, which previously allowed large quantities of salted meat from Brazil and Thailand to enter the EU market. The closing of this loophole effect overall EU import figures. The declining import trend is expected to continue through 2004.

In 2003 overall EU exports are expected to decline, as French exports to the Middle East remain stable. German exports remain stable and the Netherlands has virtually no exports to third countries in 2003. These overall decreases in exports are not expected to be offset by a marginal increase in exports from Spain.

EU domestic use in 2003 is expected to decrease in line with decreases in consumption. Part of the decrease in overall EU domestic consumption can be attributed to low production levels, which was the case in France. Commercial stocks in France were reduced, reflecting a depletion of commercial stocks, explaining the large disappearance in commercial stocks in France.

Germany on the other hand shows a marginal increase in domestic consumption due mainly to population growth and because chicken remains an easy to cook and healthy option.

TURKEY

Country	European Union					
Commodity	Poultry, Meat, Turkey					
	Revised	2002	Preliminary	2003		
	Old	New	Old	New	Old	New
	Report	Report	Report	Report	Report	Report
Market Year Begin	01/2002		01/2003		01/2004	
Inventory (Reference)	1.5	0	1.5	0	0	0
Slaughter (Reference)	0	0	0	0	0	0
Beginning Stocks	0	0	0	0	0	0
Production	1760	1755	1740	1705	0	1690
Whole, Imports	0	0	0	0	0	0
Parts, Imports	85	103	65	108	0	110
Total extra-EU imports	85	103	65	108	0	110
TOTAL SUPPLY	1845	1858	1805	1813	0	1800
Whole, Exports	0	0	0	0	0	0
Parts, Exports	285	265	235	230	0	230
Total extra-EU exports	285	265	235	230	0	230
TOTAL Domestic Use	1560	1593	1570	1583	0	1570
Ending Stocks	0	0	0	0	0	0
TOTAL DISTRIBUTION	1845	1858	1805	1813	0	1800

Source: EU-15 FAS offices

Forty percent of EU turkey production takes place in France, although Italy and Germany are also large producers. EU turkey production in 2002 has been adjusted downward from previous 2002 estimates. In 2003 EU production will show an overall decline as France, the UK, Italy, and the Netherlands all show declines in production. Additionally, in France the French Turkey Producer's Organization (CIDEF), imposed a mandatory destruction of turkey eggs to prevent overproduction. As the lack of demand is forecast to continue into 2004 EU turkey production is expected to decline.

EU imports in 2002 have been adjusted upward from previous estimates mainly because of increased turkey consumption in the Netherlands. Additionally, large quantities of imports of salted meat entering the EU, 30% of which are turkey attributed to the increase. In 2003 into 2004 EU turkey imports are forecast to be stable. Some salted turkey is expected to enter Germany.

Overall EU exports are down in 2002 from previous estimates due mainly to the decline in French exports and as the French experienced third country competition in the Russian and African markets. The Netherlands also experienced difficulties in the export market due to Avian Influenza. In 2003 into 2004 overall EU exports are expected to continue the downward trend. EU poultry exports are also hurt by the strong Euro.

Domestic Use in 2002 shows an overall increase in commercial stocks, which hides the increase in actual domestic use. In 2003 into 2004 total use is expected to be down from previous levels indicating a decrease in consumption as well as a decrease in ending commercial stocks.

POLICY

ANIMAL WELFARE

Consumer health Commissioner Byrne continues to emphasize the priority of Animal Welfare issues for the Commission however states a full analysis and consultations are still necessary. Commissioner Byrne has also re-iterated that his principal objective is to promote measures to enforce enhanced animal protection rules, particularly for long distance journeys.

The basis of the animal welfare movement in the EU results from the guidelines in the Treaty of Amsterdam, in force since 1st May 1999, which lays out new ground rules for the actions of the EU on animal welfare in the "*Protocol on the Protection and Welfare of Animals*". This protocol recognizes that animals are sentient beings and obliges the European Institutions to pay full regard to the welfare requirements of animals when formulating and implementing Community legislation.

Additionally, export refunds for live bovines will be subject to tighter animal welfare requirements following the adoption of a new Commission regulation. The regulation is part of the Commission's drive to reinforce the conditions and controls under which export subsidies for live animals can be granted.

ANIMAL BY PRODUCTS

EC Regulation 1774/2002 is, after the TSE Regulation adopted in 2000, the second key action of the EU's White Paper on Food Safety and is a major component of the Commission strategy to combat and eradicate feed-borne food crises such as BSE, foot and mouth disease, swine fever and dioxin contamination. Under the Regulation, only materials derived from animals declared fit for human consumption following veterinary inspection may be used for the production of feeds. It also bans intra-species recycling, so-called "cannibalism". It sets out rules on what must and may be done with the excluded animal materials, imposing strict identification and traceability system requiring products such as meat and bone meal and fats destined for destruction to be permanently marked to avoid possible fraud and risk of diversion of unauthorized products into food and feed. This regulation will be fully enforced in January 2004.

FOOD HYGIENE

The Council reached a political agreement on two legislative proposals in the "food hygiene" package. Hygiene 3, which is a proposal for a Regulation laying down specific rules for the organization of official controls on products of animal origin intended for human consumption, and Hygiene 5, which is a Directive repealing certain Directives concerning food hygiene and health conditions for the production and placing on the market of certain products of animal origin intended for human consumption. A common position was not adopted as many delegations wanted to wait until after the text had been technically finalized, which is expected in September

of 2003. Once this is completed the proposals will be forwarded to the European Parliament. The Hygiene package aims to overhaul 17 current Directives and replace them with 4 Regulations and a Directive aimed at merging and simplifying EU legislation on hygiene. As an agreement has now been reached on the 5 pieces of legislation, the entire Hygiene Package is expected to be approved at the September Council, and then forwarded to the EP for political agreement by 2004, with an expected 2006 enforcement date.

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E23111	Poultry Decontamination
E23067	EU Agricultural Budget
E23116	EU to Increase Animal Welfare During Transit
E23121	CAP Reform Deal Approved

Report Number	Title
SW3008	Salmonella Outbreak in Sweden

Report Number	Title
GM3013	Avian Influenza Suspected in Germany
GM3014	Avian Influenza Confirmed in Germany
GM3017	Update on Avian Influenza